

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2019/2020

BAC4634 – CORPORATE ACCOUNTING II

(All sections / Groups)

10 MARCH 2020
2.30 p.m – 5.30 p.m
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 7 pages (excluding the cover) with 4 Questions only.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please print all your answers in the Answer Booklet provided.

QUESTION 1

Blue Lagoon Bhd engages in the sport services business. The company planned to diversify the business and therefore acquired 80 percent of the issued ordinary share capital of Giant Bubble Ltd on 1 January 2018. Giant Bubble Ltd is located in AU Land and the currency is AU\$. The reserve of Giant Bubble Ltd on 1 January 2018 was AU\$2,000,000.

Both Blue Lagoon Bhd and Giant Bubble Ltd have financial year end at 31 December annually. The functional currency of Blue Lagoon Bhd is Ringgit Malaysia while Giant Bubble Ltd is AU Dollar.

The statements of financial position as at 31 December 2018 and the statements of profit or loss for the year ended 31 December 2018 for Blue Lagoon Bhd and Giant Bubble Ltd are as follows:

Statements of Financial Position as at 31 December 2018

	Blue Lagoon Bhd RM'000	Giant Bubble Ltd AU\$000
Property, plant and equipment	6,000	6,000
Development expenditure	1,000	200
Investment in Giant Bubble Ltd	2,400	-
Trade receivables	1,800	1,000
Bank	600	400
	<u>11,800</u>	<u>7,600</u>
Ordinary shares	5,000	4,000
Retained profit b/f	3,400	2,000
Profit for the year	3,000	800
Borrowings	-	400
Trade payables	300	340
Tax payable	100	60
	<u>11,800</u>	<u>7,600</u>

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Statements of profit or loss for the year ended 31 December 2018

	Blue Lagoon Bhd		Giant Bubble Ltd	
	RM'000	RM'000	AUS000	AUS000
Revenue		11,000		4,000
Cost of sales		(6,000)		(1,600)
Gross profit		<u>5,000</u>		<u>2,400</u>
Expenses	1,200		1,000	
Depreciation	800	(2,000)	600	(1,600)
Net profit		<u>3,000</u>		<u>800</u>

Rates of exchange

	AUS	RM
1 January 2017 (date on which property, plant and equipment was acquired)	7	1
1 January 2018	6	1
Average rate for year	5	1
31 December 2018	4	1
Date closing inventory was purchased	6	1
Date opening inventory was purchased	3	1

Required:

In compliance with the MFRS 121: The Effects of Changes in Foreign Exchange Rates and using the net investment method:

- Compute the goodwill on consolidation.
(5 marks)
 - Prepare the Translated and Consolidated Statement of Financial Position as at 31 December 2018.
(12 marks)
 - Prepare the Translated and Consolidated Statement of Profit or Loss for the year ended 31 December 2018.
(8 marks)
- (Total: 25 marks)**

QUESTION 2

Part A

Big Cup Berhad engages in the beverage business. The financial year end is 31 December annually. The company is in the midst of preparing the interim report for the period ended 30 June 2019. Being the accountant of the company, you are expected to advise on how the following financial information should be recognized and measured in the interim report.

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The financial information is as follows:

- i) On 1 April 2019, Big Cup Berhad incurred RM4,000,000 on conducting research and development of new coffee powder. However, there market for new coffee powder could only be identified on 15 August 2019.
- ii) The inventories at cost as at 30 June 2019 is RM900,000. Big Cup Berhad identified that the fair value of the inventories is RM950,000 and the cost to sell is RM100,000.
- iii) As part of the client retention strategy, Big Cup Berhad has a practice of organizing annual dinner for clients. The amount budgeted for year 2019 was RM30,000.
- iv) Big Cup Berhad has a policy of depreciating the property, plant and equipment at 20% using the reducing balance method. The cost of the property, plant and equipment at 1 January 2019 was RM80,000,000 and the accumulated depreciation was RM30,000,000. The company planned to acquire new coffee processing machine for RM500,000 on 1 May 2019, however, it was delayed to 30 September 2019.

Required:

Prepare a note to the directors explaining on the recognition and measurement of each financial information in the interim report for the period ended 30 June 2019, in accordance with MFRS134: *Interim Financial Reporting*,

(16 marks)

Part B

You are the accountant of Green Retreat Berhad. Green Retreat Berhad is a Malaysian listed company, operating a hotel business. The company owns a piece of land on which is situated a hotel building. The current value of land is RM4,000,000 while the hotel building has a current value of RM2,000,000.

Based on the market information, the directors are considering demolishing the hotel building and develop the adventure theme park on the land. If the land is used for the adventure theme park, the fair value of the land will be RM9,000,000.

Required:

As the accountant of Green Retreat Berhad, determine the fair value measurement of the land and the hotel building, in compliance with MFRS13: *Fair Value Measurement*.

(9 marks)

(Total: 25 marks)

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QUESTION 3**Part A**

Boleh Berhad has the following financial information as at 31 December 2018:

a) Property, Plant and Equipment:

	RM'000
At cost:	
Balance (1 January 2018)	2,800
Acquisition	1,360
Disposal	(160)
Balance (31 December 2018)	<u>4,000</u>
Accumulated Depreciation:	
Balance (1 January 2018)	600
Charges for the year	300
Disposal	(40)
Balance (31 December 2018)	<u>860</u>

b) Product development expenditures:

	RM'000
Balance (1 January 2018)	3,200
Incurred and capitalised during the year	800
Amortisation for the year	(640)
Balance (31 December 2018)	<u>3,360</u>

c) Trade receivables:

	RM'000
Balance (1 January 2018)	1,600
Bad debts written off	(400)
Provision for doubtful debts	(500)
Balance (31 December 2018)	<u>700</u>

Additional information:

- 1) The tax written down value for the asset as at 31 December 2018 was RM 1,300,000.
- 2) The product development costs were capitalised and amortised. Tax rule allows the development cost to be written off when incurred.
- 3) The company accounted for the interest income on accrual basis. The accrued interest income in the statement of financial position as at 31 December 2018 was RM 600,000.
- 4) Deferred tax liability as at 31 December 2017 recorded RM 700,000.
- 5) Tax rate for year 2017 was 28%.
- 6) Tax rate for year 2018 was 24%.

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Required:

In accordance with MFRS 112: *Income Taxes*, calculate the amount of deferred tax and tax expenses charged in the financial statement of Boleh Berhad for the year 2018.

(17 marks)

Part B

On 1 June 2016, Nelson Bhd issued a RM 30,000,000 4% convertible loan notes. Upon maturing on 1 June 2019, the holders are given the option to:

- accept cash, or
- convert the loan notes into ordinary shares. The conversion can be done at the rate of RM 200 notes into 100 ordinary shares. The market interest rate was 12%.

Upon maturity, it is noticed that half of the loan holders accepted cash.

Present value factors period	12%
1	0.8929
2	0.7972
3	0.7118

Required:

- a) Determine the loan amount over its maturity period.

(6 marks)

- b) Determine the relevant journal entries in the book of the company on 1 June 2019.

(2 marks)

(Total: 25 marks)

QUESTION 4**Part A**

Alpha Berhad operates a defined benefit pension plan for its employees. The fair value of the pension plan assets and the present value of the pension plan liabilities as at 1 July 2017 was RM 36,000,000 and RM 19,000,000 respectively. The financial year end is 30 June annually.

As at 30 June 2018, the following information were reverted:

- The estimated service cost for the year 30 June 2018 was RM 6,000,000.
- Estimated relevant discount rate for the year was 7%.
- The pension plan paid RM 800,000 to the employees.

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- Alpha Berhad paid RM 5,000,000 in contribution to the pension plan in the year to 30 June 2018.
- Alpha Berhad announced improvement to the pension plan on 1 October 2017. The estimated past service cost associated with this improvement was RM 6,000,000.
- The fair value of the pension plan assets was RM 23,000,000.
- The present value of the pension plan liabilities was RM 26,000,000. This included the past service cost.

Required:

In accordance with MFRS 119: *Employee Benefits*:

- Calculate the net measurement gain or loss that will be included in Alpha Berhad's other comprehensive income for the year ended 30 June 2018.
(5.5 marks)
- Calculate the net pension asset or liability that will be included in Alpha Berhad's Statement of Financial Position as at 30 June 2018.
(2.5 marks)

Part B

EXY Berhad has a property operation which has been operated at a significant loss since the first quarter of 2018. The property operation is a cash-generating unit. The value in use is ascertained at RM 16,000,000 and a proposed acquisition offers a purchase consideration of RM 15,000,000.

The assets of the operation include:

	Carrying Amount RM'000
Goodwill	2,000
Property, Plant and Equipment (at depreciated cost)	6,000
Intangible assets (at amortised cost)	4,000
Investment property (at depreciated cost)	5,000
Financial asset (at fair value)	2,140
Inventories (at cost)	3,600
Carrying amount of property operation	22,740

The company has also determined that the fair value less costs to sell of the investment property is RM 4,000,000.

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Required:

In accordance with MFRS 136: *Impairment of Assets*:

- a) Determine the impairment loss of the property operation.
(1.5 marks)
- b) Determine the allocation of the impairment loss over the property operation.
(5 marks)
- c) Illustrate the journal entries of the impairment loss of the assets in the property operation.
(2.5 marks)

Part C

Hitech Berhad granted 100 employees an option to buy 1,000 shares in the entity on 1 January 2018 at RM 20 per share. The option will vest on 1 January 2020 for those employees who remained in the employment until the vesting date.

The market values of the option and the shares recorded:

	Share	Option
1 January 2018	RM 24	RM 6
1 January 2019	RM 29	RM 7

On 1 January 2018, the director estimated that 10% of the employees would leave at the end of 2018 and 2019. In actual, 8% of the employees left in the year ended 31 December 2018. The director has now estimated that a further of 6 employees would leave in year ended 31 December 2019.

Required:

In accordance with MFRS 2: *Share-based payment*:

- a) Calculate the amount to be presented in the statement of financial position and statement of profit and loss of the company as at 31 December 2018 and 31 December 2019.
(6 marks)
- b) Illustrate the journal entries to record the above transaction for year 2018 and 2019.
(2 marks)

(Total: 25 marks)

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